

Message Text

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16

ORIGIN ABF-01

INFO OCT-01 NEA-10 ADP-00 PER-05 FS-01 TRSE-00 OMB-01 A-01

M-03 /023 R

DRAFTED BY M/ FRM/ FM/ C - RUSSELL P. WHITENER

6/15/73 - 29314

APPROVED BY A/ BF - RICHARD W. MURRAY

TREASURY: OS - S. COX (SUBS.)

TREASURY: BA - D. CHIODO (SUBS.)

NEA/ INS - J. HAWES

----- 107276

R 152225 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 117450

E. O. 11652: N/ A

TAGS: A/ BUD

SUBJECT: INDIAN RUPEE EXCHANGE RATE

REF: NEW DELHI 6817

JOINT STATE/ TREASURY MESSAGE

1. YOUR REFTEL GREATLY APPRECIATED. WE HAVE REVIEWED IT IN DETAIL WITH TREASURY. HOWEVER, TREASURY ADVISES THAT UNDER STATUTORY AUTHORITIES ANY APPROVAL OF SPECIAL RATES OF EXCHANGE FOR EXCESS CURRENCIES MORE FAVORABLE THAN THE PREVAILING RATE MUST BE BASED UPON ANTICIPATED BENEFIT TO THE U. S. BALANCE OF PAYMENTS OR OVERALL BUDGET SAVINGS.

2. WITH REGARD TO ACCOMMODATION EXCHANGE, WE WILL AUTHORIZE ANY BETTER RATE OF EXCHANGE THAT THE GOI WILL ACCEPT WITHOUT SERIOUS OBJECTION, AND WHICH YOU CONCLUDE WILL RESULT IN AN INCREASE ABOVE CURRENT LEVELS IN DOLLAR RECEIPTS TO THE USG FROM LOCAL CURRENCY SALES. REFTEL ADVISES OF YOUR VIEW THAT THE GOI HAS TACITLY ACCEPTED THE CONTINUA-
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TION OF THE RS. 7.6 RATE FOR CERTAIN TRANSACTIONS. WE WILL AUTHORIZE THIS RATE FOR ACCOMMODATION EXCHANGE IF YOU CAN ADVISE US OF YOUR CONCLUSION THAT THIS ACTION WILL AVOID A REDUCTION IN THE LEVEL OF DOLLAR RECEIPTS ANTICI-

PATED FROM APPLICATION OF THE PREVAILING RATE TO SUCH TRANSACTIONS.

3. FOR OFFICIAL EXPENDITURE TRANSACTIONS, UNIFORM USG POLICY, REGULATION AND PRACTICE ARE CONSISTENT IN REQUIRING THE USE OF THE PREVAILING RATE IN DETERMINING DOLLAR CHARGES TO AGENCY APPROPRIATIONS FOR OFFICIAL EXPENDITURES IN LOCAL CURRENCIES, AS WELL AS IN DETERMINING THE NUMBER OF LOCAL CURRENCY UNITS TO BE PAID OUT TO LIQUIDATE A DOLLAR- DENOMINATED OBLIGATION. EXCEPTIONS FOR LIMITED PURPOSES ARE MADE BY TREASURY IN EXCESS CURRENCY COUNTRIES ONLY FOR PURPOSES JUSTIFIABLE UNDER THE PROVISIONS OF SECTION 8 OF OMB CIRCULAR NO. A-20 DATED MAY 21, 1966. THESE EXCEPTIONS ARE APPROVED ONLY WHEN THEY WILL PERMIT OR FACILITATE A REDUCTION IN THE AMOUNT OF U. S. DOLLARS THAT WOULD OTHERWISE BE SPEND ABROAD. THEREFORE, WE SEE NO ALTERNATIVE TO THE IMMEDIATE INSTITUTION OF THE PREVAILING RATE FOR OFFICIAL EXPENDITURE TRANSACTIONS AND FOR USDO REPORTING OF SAME.

4. ADDITIONALLY, WE OFFER THE FOLLOWING COMMENTS TO CLARIFY MATTERS DISCUSSED IN REFTEL:

(A) THE CONDITIONALLY- APPROVED RATE OF RS. L0 TO THE DOLLAR REFERRED TO IN PARA. 3 OF REFTEL RELATED SOLELY TO ACCOMMODATION EXCHANGE TRANSACTIONS, NOT TO OFFICIAL EXPENDITURES.

(B) WE BELIEVE THAT IN MOST INSTANCES, ADJUSTMENT TO THE PREVAILING RATE FOR OFFICIAL TRANSACTIONS WILL NOT REDUCE RUPEE EXPENDITURES BUT MERELY INCREASE DOLLAR CHARGES TO AGENCY APPROPRIATIONS.

(C) INFLATION OF COSTS IN LOCAL CURRENCY IS NOT CONSIDERED A JUSTIFICATION FOR EXCHANGE RATE ADJUSTMENT FOR EITHER OFFICIAL EXPENDITURES OR ACCOMMODATION EXCHANGE.
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ADJUSTMENT OF ALLOWANCES WHERE WARRANTED IS THE METHOD USED TO COMPENSATE EMPLOYEES FOR INCREASED PERSONAL EXPENDITURES RESULTING FROM THEIR ASSIGNMENT ABROAD.

4. WE HOPE THAT THE ABOVE POSITION ON THE RATE FOR ACCOMMODATION EXCHANGE WILL PROVE HELPFUL, AND THAT OUR COMMENTS WILL EXPLAIN WHY OUR POSITION ON THE RATE FOR

OFFICIAL EXPENDITURES MUST BE MAINTAINED. PORTER

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE117450
Document Source: CORE
Document Unique ID: 00
Drafter: RUSSELL P. WHITENER
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730623/aaaajgiz.tel
Line Count: 121
Locator: TEXT ON-LINE
Office: ORIGIN ABF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 NEW DELHI 6817
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 18 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18-Dec-2001 by kelleyw0>; APPROVED <10-Jan-2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980213
Subject: INDIAN RUPEE EXCHANGE RATE
TAGS: ABUD, n/a
To: NEW DELHI
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005